

CIA/QCI/BRIEF 065-73
2 NOVEMBER 1973

Approved For Release 2001/08/14 : CIA-RDP85T00875R000600050061-0

SECRET//NFD

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WESTERN HEMISPHERE BRIEF 065.

ITEMS MARKED & HAVE BEEN COORDINATED WITH THE DEPARTMENTS OF STATE AND DEFENSE.

1. //BOLIVIA: THE BANZER GOVERNMENT ON 31 OCTOBER ARRESTED SEVERAL IMPORTANT POLITICIANS AND CLAIMED THAT A CONSPIRACY HAS BEEN SMASHED. JULIO PRADO, RECENTLY DISMISSED FROM THE CABINET AND REPORTED EARLIER TO BE ORGANIZING AN OPPOSITION GROUP, WAS AMONG THOSE DETAINED. THE ARRESTS MAY CALM THE POLITICAL SITUATION FOR A WHILE, BUT COULD ALSO SPUR BANZER'S OPPONENTS ON TO MORE INTENSE PLOTTING. PRADO COULD BE ACTING AS AN ORGANIZER FOR SENIOR POLITICIANS, AND IF SO, HIS ARREST WOULD DAMAGE BUT NOT TERMINATE THE PLOT. THE NEXT FEW DAYS WILL BE CRUCIAL. AT LEAST ONE MILITARY OFFICER HAS BEEN ARRESTED. ONLY THE MILITARY, REPORTED EARLIER TO BE INVOLVED IN THIS AND ANOTHER CONSPIRACY, HAS THE MUSCLE TO DISLODGE BANZER. {SECRET NO FOREIGN DISSEM} //

2. ARGENTINA: PRESIDENT PERON HAS INVITED BOLIVIAN PRESIDENT BANZER AND PANAMANIAN ^{STRIVE MAN} TORRIJOS TO MAKE STATE VISITS TO BUENOS AIRES. BANZER HAS ALREADY ACCEPTED THE OFFER AND IS SCHEDULED

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TO ARRIVE IN THE ARGENTINE CAPITAL FOR A FOUR-DAY STAY BEGINNING ON 12 NOVEMBER. TORRIJOS REPORTEDLY WILL MAKE AN OFFICIAL VISIT LATER IN THE SAME MONTH.

PERON'S BID TO THE TWO MILITARY STRONGMEN PROBABLY REFLECTS HIS EAGERNESS TO FORM CLOSER TIES WITH OTHER SPANISH AMERICAN REGIMES AND ADVANCE HIS PRETENSIONS AS A SPOKESMAN FOR THE REGION. IN ADDITION, INTEREST IN NEIGHBORING BOLIVIA IS IMPORTANT TO PERON BECAUSE OF ARGENTINA'S CONCERN OVER BRAZILIAN INFLUENCE IN LA PAZ. TORRIJOS REPRESENTS A STRONGLY NATIONALIST POINT OF VIEW IN LATIN AMERICA AND PRESUMABLY SHARES SOME OF GENERAL PERON'S CONCEPTS.

{CONFIDENTIAL}

3. VENEZUELA: THERE ARE RELIABLE REPORTS THAT THE CALDERA ADMINISTRATION IS UNDER CONSIDERABLE PRESSURE FROM INFLUENTIAL ELEMENTS OF THE VENEZUELAN BUSINESS COMMUNITY TO "USE OIL POLITICALLY" TO GAIN AN ASSURED SUPPLY OF AGRICULTURAL IMPORTS AT REASONABLE PRICES.

A PROPOSAL TO THIS EFFECT REPORTEDLY HAS ALREADY WON THE ENTHUSIASTIC BACKING OF THE INFLUENTIAL FEDERATION OF CHAMBERS OF

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COMMERCE OF VENEZUELA AND THE NATIONAL INDUSTRIAL COUNCIL. THE PROPOSAL UNDER CONSIDERATION APPARENTLY DOES NOT NOW CONTEMPLATE BARTERING OIL FOR AGRICULTURAL PRODUCE, BUT RATHER SEEKS GUARANTEES OF SUPPLY--OR AT LEAST GUARANTEES THAT VENEZUELA, CRITICALLY SHORT OF GRAINS--WILL BE EXEMPTED FROM RESTRICTIONS SUCH AS THOSE RECENTLY PLACED BY THE US ON SOYBEAN EXPORTS.

THE SHORTAGE OF WHEAT, SOYBEANS AND OTHER BASIC COMMODITIES HAS BECOME A TOUCHY POLITICAL ISSUE FOR THE GOVERNING SOCIAL CHRISTIAN PARTY AND ITS PRESIDENTIAL CANDIDATE. WITH ELECTIONS ONLY A FEW WEEKS AWAY, RECENT PUBLIC OPINION POLLS REFLECT THE PARTY'S LOSS OF SUPPORT AS A RESULT OF THESE SHORTAGES, THE RISING COST OF LIVING AND A SPIRALING UNEMPLOYMENT RATE. IN THE FACE OF SHARPLY RISING WORLD GRAIN PRICES, THE GOVERNMENT IS FACED WITH THE ALTERNATIVE OF EITHER SUFFERING SHORTAGES OR ALLOWING RETAIL PRICES TO RISE SUBSTANTIALLY. ALTHOUGH GOVERNMENT LEADERS HAVE PREVIOUSLY INSISTED THAT THEY WOULD NOT ATTEMPT TO HOLD OIL FOR "RANSOM," THEY MAY NOW BELIEVE THEIR POLITICAL POSITION IS CRITICAL ENOUGH TO WARRANT FORCEFUL ACTION. [CONFIDENTIAL]

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&4. ARAB STATES - ISRAEL: IT WAS QUIET ON BOTH FRONTS AGAIN ON 1 NOVEMBER, EXCEPT FOR A CLASH ON THE EAST BANK OF THE SUEZ CANAL. THE POW ISSUE HAS NOT YET BEEN RESOLVED AND THE UN SECURITY COUNCIL CONTINUES TO GRAPPLE WITH THE PROBLEM OF STAFFING ITS PEACEKEEPING FORCE.

THE INCIDENT IN THE SINAI INVOLVED THE MOVEMENT OF ABOUT A COMPANY-SIZED EGYPTIAN FORCE CLOSER TO ISRAELI LINES NEAR THE GIDI PASS. AN ISRAELI SPOKESMAN SAID THE EGYPTIANS PROBABLY WERE TRYING TO IMPROVE THEIR POSITIONS, RATHER THAN BREAK OUT. THE ISRAELIS FIRED WARNING SHOTS OVER THE HEADS OF THE EGYPTIANS, AND AN HOUR-LONG SKIRMISH ENSUED INVOLVING ARTILLERY AND TANKS.

ISRAELI AND EGYPTIAN OFFICERS HELD A FOURTH MEETING ON 1 NOVEMBER TO DISCUSS THE QUESTION OF POWS. NO BREAKTHROUGH WAS REPORTED. SYRIA, MEANWHILE, HAS ANNOUNCED IT IS PREPARED TO SUBMIT A LIST OF ISRAELI POWS IN SYRIA TO THE INTERNATIONAL RED CROSS AND ALLOW RED CROSS OFFICIALS TO VISIT THEM IF ISRAEL WILL: STATE OFFICIALLY THAT IT WILL COMPLY FULLY WITH THE PROVISIONS OF THE GENEVA CONVENTIONS; RETURN THE BODIES OF SYRIANS KILLED IN THE WAR;

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AND ALLOW SYRIAN VILLAGERS DISPLACED DURING THE FIGHTING TO RETURN
TO THEIR HOMES.

THE INFORMAL UN SECURITY COUNCIL MEETING ON 1 NOVEMBER SERVED ONLY TO SHARPEN THE CONTROVERSY OVER WHICH MEMBERS SHOULD PARTICIPATE IN THE UN EMERGENCY FORCE. THE SOVIET UNION DEMANDED THAT THE DECISION TO PERMIT CANADIAN LOGISTIC UNITS BE REVERSED UNLESS WARSAW PACT MEMBERS ALSO ARE INCLUDED. NONALIGNED STATES INSISTED THAT THE COUNCIL DISREGARD THE ISRAELI REQUIREMENT THAT CONTRIBUTORS HAVE DIPLOMATIC RELATIONS WITH ISRAEL. TOGETHER WITH THE ARABS, THE NONALIGNED STATES ARE PRESSING THE AFRICAN STATES--WHICH THE SECRETARIAT BELIEVES MUST BE REPRESENTED ON THE FORCE--TO OFFER CONTINGENTS ONLY IF THEY HAVE SEVERED RELATIONS WITH TEL AVIV.

IN ISRAEL, MRS. MEIR'S LABOR ALIGNMENT WAS ABLE TO CARRY THE DAY IN A KNESSET DEBATE EARLIER THIS WEEK OVER THE POW ISSUE, LARGELY BECAUSE OF GENERAL DAYAN'S ANNOUNCEMENT OF EGYPT'S READINESS TO COOPERATE WITH THE INTERNATIONAL RED CROSS. DESPITE THIS SUCCESS, THE LABOR PARTY WILL FACE ROUGH TREATMENT IN THE WEEKS AHEAD AS OPPOSITION LEADERS SHARPEN THEIR ATTACKS ON THE GOVERNMENT'S

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HANDLING OF PRE-WAR INTELLIGENCE AND MILITARY PREPAREDNESS, THE DECISION TO ALLOW THE EGYPTIAN THIRD ARMY TO BE RESUPPLIED, // AND THE ALLEGED CAPITULATION TO US PRESSURES.//

INFLUENTIAL EGYPTIAN EDITOR HAYKAL COMMENTED IN A COLUMN THIS WEEK THAT ANY NEW OUTBREAK OF HOSTILITIES WOULD PROBABLY BE INITIATED BY ISRAEL, BUT HE IMPLIED THAT EGYPT ITSELF IS ALSO READY. // HE ASSERTED THAT ISRAEL STOPPED FIGHTING ONLY BECAUSE OF US PRESSURE, BUT "MIGHT NOW BE BESET BY THE TEMPTATION TO SLIP FREE" AND TAKE ACTION TOWARD "REDRESSING THE SITUATION ON THE BATTLEFIELD."// HE ADDED THAT HE BELIEVES "ONE WHO DOES NOT ADVANCE IS IN FACT RETREATING." WITH THIS OBLIQUE REFERENCE TO POSSIBLE EGYPTIAN MILITARY ACTION, HE JOINS A GROWING LIST OF EGYPTIANS WHO ARE ADVOCATING-- SOMEWHAT MORE DIRECTLY THAN HE--RENEWED WAR. {SECRET}

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MIDDLE EAST AFRICA BRIEF 065.

I. ARAB STATES - ISRAEL: IT WAS QUIET ON BOTH FRONTS AGAIN ON 1 NOVEMBER, EXCEPT FOR A CLASH ON THE EAST BANK OF THE SUEZ CANAL. THE POW ISSUE HAS NOT YET BEEN RESOLVED AND THE UN SECURITY COUNCIL CONTINUES TO GRAPPLE WITH THE PROBLEM OF STAFFING ITS PEACEKEEPING FORCE.

THE INCIDENT IN THE SINAI INVOLVED THE MOVEMENT OF ABOUT A COMPANY-SIZED EGYPTIAN FORCE CLOSER TO ISRAELI LINES NEAR THE GIDI PASS. AN ISRAELI SPOKESMAN SAID THE EGYPTIANS PROBABLY WERE TRYING TO IMPROVE THEIR POSITIONS, RATHER THAN BREAK OUT. THE ISRAELIS FIRED WARNING SHOTS OVER THE HEADS OF THE EGYPTIANS, AND AN HOUR-LONG SKIRMISH ENSUED INVOLVING ARTILLERY AND TANKS.

ISRAELI AND EGYPTIAN OFFICERS HELD A FOURTH MEETING ON 1 NOVEMBER TO DISCUSS THE QUESTION OF POWS. NO BREAKTHROUGH WAS REPORTED. SYRIA, MEANWHILE, HAS ANNOUNCED IT IS PREPARED TO SUBMIT A LIST OF ISRAELI POWS IN SYRIA TO THE INTERNATIONAL RED CROSS AND ALLOW RED CROSS OFFICIALS TO VISIT THEM IF ISRAEL WILL: STATE OFFICIALLY THAT IT WILL COMPLY FULLY WITH THE PROVISIONS OF THE GENEVA CONVENTIONS; RETURN THE BODIES OF SYRIANS KILLED IN THE WAR; AND ALLOW SYRIAN

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VILLAGERS DISPLACED DURING THE FIGHTING TO RETURN TO THEIR HOMES.

THE INFORMAL UN SECURITY COUNCIL MEETING ON 1 NOVEMBER SERVED ONLY TO SHARPEN THE CONTROVERSY OVER WHICH MEMBERS SHOULD PARTICIPATE IN THE UN EMERGENCY FORCE. THE SOVIET UNION DEMANDED THAT THE DECISION TO PERMIT CANADIAN LOGISTIC UNITS BE REVERSED UNLESS WARSAW PACT MEMBERS ALSO ARE INCLUDED. NONALIGNED STATES INSISTED THAT THE COUNCIL DISREGARD THE ISRAELI REQUIREMENT THAT CONTRIBUTORS HAVE DIPLOMATIC RELATIONS WITH ISRAEL. TOGETHER WITH THE ARABS, THE NON-ALIGNED STATES ARE PRESSING THE AFRICAN STATES--WHICH THE SECRETARIAT BELIEVES MUST BE REPRESENTED ON THE FORCE--TO OFFER CONTRIBUTENTS ONLY IF THEY HAVE SEVERED RELATIONS WITH TEL AVIV.

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THE EGYPTIAN THIRD ARMY TO BE RESUPPLIED, // AND THE ALLEGED CAPITULATION TO US PRESSURES.//

INFLUENTIAL EGYPTIAN EDITOR HAYKAL COMMENTED IN A COLUMN THIS WEEK THAT ANY NEW OUTBREAK OF HOSTILITIES WOULD PROBABLY BE INITIATED BY ISRAEL, BUT HE IMPLIED THAT EGYPT ITSELF IS ALSO READY. // HE ASSERTED THAT ISRAEL STOPPED FIGHTING ONLY BECAUSE OF US PRESSURE, BUT "MIGHT NOW BE BESET BY THE TEMPTATION TO SLIP FREE" AND TAKE ACTION TOWARD "REDRESSING THE SITUATION ON THE BATTLEFIELD."// HE ADDED THAT HE BELIEVES "ONE WHO DOES NOT ADVANCE IS IN FACT RETREATING." WITH THIS OBLIQUE REFERENCE TO POSSIBLE EGYPTIAN MILITARY ACTION, HE JOINS A GROWING LIST OF EGYPTIANS WHO ARE ADVOCATING-- SOMEWHAT MORE DIRECTLY THAN HE--RENEWED WAR. {SECRET}

2. //SYRIA: SYRIA HAS SUSTAINED SEVERE LOSSES IN MILITARY EQUIPMENT AND ECONOMIC ASSETS. DIRECT AND INDIRECT COSTS OF THE WAR AND ITS AFTERMATH PROBABLY WILL APPROACH \$1 BILLION, ROUGHLY EQUIVALENT TO HALF OF SYRIA'S ANNUAL OUTPUT. THE OIL-RICH ARAB STATES WILL, HOWEVER, MORE THAN COVER THESE LOSSES AND HELP RESTORE NORMAL ECONOMIC ACTIVITY.//

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//THE SYRIAN ECONOMY SUSTAINED LARGE BUT BY NO MEANS CRIPPLING DAMAGE. WE ESTIMATE DIRECT DAMAGE TO INDUSTRIAL SITES, ROADS, RAILROADS, BRIDGES, AND COMMUNICATION FACILITIES TO BE ABOUT \$225 MILLION. THE PETROLEUM STORAGE AREAS AT HOMS, BANIYAS, LATAKIA, AND TARTUS WERE HARD HIT, AS WERE THE POWER PLANTS IN DAMASCUS AND HOMS, WHICH ACCOUNT FOR WELL OVER ONE HALF OF SYRIA'S ELECTRIC POWER CAPACITY. CONTRARY TO SOME EARLIER REPORTS, THE COUNTRY'S ONLY OIL REFINERY AT HOMS WAS NOT DESTROYED, ALTHOUGH IT WAS RENDERED INOPERABLE BY DAMAGE TO NEARBY POWER AND STORAGE FACILITIES.//

//PRODUCTION LOSSES AND CURTAILED REVENUES FROM OIL TRANSIT FEES AND EXPORTS COULD REACH \$250 MILLION. DIRECT LOSSES IN AIRCRAFT, TANKS AND NAVAL VESSELS AMOUNTED IN EXPORT TRADE PRICES, TO ABOUT \$200 MILLION. ADDITIONAL DAMAGE, INCLUDING THAT TO MILITARY INSTALLATIONS, WILL BRING TOTAL MILITARY LOSSES TO OVER \$400 MILLION./

//OIL-RICH ARAB STATES HAVE REPORTEDLY PLEDGED TO GIVE SYRIA AS MUCH AS \$1.6 BILLION. EVEN IF THE FIGURE IS INFLATED, OTHER ARAB STATES ARE LIKELY TO PROVIDE ENOUGH AID TO COVER SYRIA'S ECONOMIC AND MILITARY LOSSES. THE ARAB COUNTRIES ALSO HAVE BEEN AIDING

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SYRIA WITH FOOD, MEDICINES, MEDICAL TEAMS, AND PETROLEUM.//

//ECONOMIC RECOVERY WILL BE AIDED BY THE LACK OF DAMAGE TO AGRICULTURE, WHICH SUPPLIES MUCH OF SYRIA'S NATIONAL OUTPUT. SYRIA HAD EITHER HARVESTED OR SOWN MOST OF ITS MAJOR CROPS OR SOWN OTHERS BEFORE THE WAR BEGAN. ALTHOUGH THE 1973 WHEAT CROP WAS WELL BELOW EARLIER LEVELS, FOOD SUPPLIES APPEARED TO BE GOOD THROUGHOUT THE HOSTILITIES. DISRUPTIONS IN SUPPLY AND TRANSPORTATION SHOULD GRADUALLY BE OVERCOME AND INDUSTRIAL CUTBACKS CAUSED BY DIRECT DAMAGE OR POWER LOSSES PROBABLY WILL BE RESTORED BY EARLY 1974.

{SECRET}//

3. BANGLADESH: OPPOSITION TO PRIME MINISTER MUJIBUR RAHMAN IS INCREASING DUE TO THE GOVERNMENT'S INABILITY TO MAINTAIN LAW AND ORDER AND TO CORRECT POLITICAL AND ECONOMIC ABUSES.

OPPOSITION GROUPS HAVE BEEN INCREASING IN NUMBER AND MEMBERSHIP FOR SOME TIME AS THE GOVERNMENT STRUGGLES WITH INEFFICIENCY, CORRUPTION AND NEPOTISM. THEY ARE NOW NOT ONLY PUBLICLY CRITIZING MUJIB--UNTIL RECENTLY AN INVIOABLE POLITICAL TARGET--BUT HAVE BECOME PUBLICLY COMMITTED TO OVERTHROWING HIS GOVERNMENT. A

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REPRESENTATIVE OF THE MOST IMPORTANT LEFT-WING OPPOSITION ORGANIZATION HAS PRIVATELY INDICATED THAT PRIOR PLEDGES TO REPLACE THE GOVERNMENT BY PEACEFUL MEANS MAY HAVE BEEN ABANDONED IN FAVOR OF A MORE VIOLENT APPROACH.

LAWLESSNESS, ESPECIALLY IN RURAL AREAS, NOW RIVALS HIGH PRICES AND SHORTAGES OF ESSENTIAL GOODS AS A MAJOR CONCERN OF BOTH THE GOVERNMENT AND THE POPULACE. SUCCESSFUL RECENT ATTACKS ON OVER 20 POLICE POSTS BY ARMED GROUPS SEEKING MORE WEAPONS AND AMMUNITION HAVE ADDED A DISTURBING NEW ELEMENT. ALTHOUGH A RELATIVELY HIGH LEVEL OF CRIME AND VIOLENCE HAVE PLAGUED DACCA SINCE INDEPENDENCE, THESE ATTACKS APPEAR TO BE MORE THE WORK OF POLITICALLY MOTIVATED GROUPS THAN THOSE OF COMMON CRIMINALS. THERE IS NO CONCLUSIVE EVIDENCE, HOWEVER, LINKING THE ATTACKS WITH ANY ORGANIZED GROUP.

MUJIB HAS RESPONDED BY TIGHTENING SECURITY AND RESORTING TO MORE VEHEMENT ATTACKS ON THE OPPOSITION, INCLUDING ARRESTS AND SPORADIC USE OF VIOLENCE. LAST MONTH, THE PARLIAMENT, WHICH IS OVERWHELMINGLY CONTROLLED BY HIS PARTY, PASSED A CONSTITUTIONAL AMENDMENT PROVIDING FOR EMERGENCY POWERS AND PREVENTIVE DETENTION.

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ALTHOUGH NO ENABLING LEGISLATION EXISTS AS YET TO USE THESE POWERS,
MUJIB NOW HAS ADDITIONAL OPTIONS FOR DEALING WITH LAWLESS ELEMENTS
AS WELL AS OPPONENTS OF THE REGIME. {CONFIDENTIAL} E-2 IMPDETH

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EUROPEAN BRIEF 065.

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&J.//FRANCE-EC: PRESIDENT POMPIDOU'S PROPOSAL TO
HIS EC PARTNERS FOR AN EC SUMMIT MEETING HAS MET
WITH A MIXED RESPONSE.//

//THE PROPOSAL, MADE AFTER THE FRENCH CABINET
MEETING ON 31 OCTOBER, SUGGESTED THAT THE MEETING
SHOULD BE HELD BEFORE THE END OF THE YEAR AND SHOULD
INITIATE A SERIES OF REGULAR SUMMIT MEETINGS. POM-
PIDOU REFERRED TO THE HANDLING OF THE MIDDLE EAST
CRISIS AND PROPOSED THAT THE FIRST MEETING SHOULD
DECIDE ON A PROCEDURE FOR CONVENING REPRESENTATIVES
OF THE NINE TO DEFINE A COMMON ATTITUDE IN FUTURE
CRISES. THIS PROCEDURE IS, IN FACT, ALREADY POS-
SIBLE AS PART OF THE EC'S REGULAR POLITICAL CONSUL-
TATIONS.//

//FRANCE'S CRITICISMS OF US ACTIONS IN THE MIDDLE

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EAST CRISIS, ESPECIALLY ITS FAILURE TO CONSULT MORE FULLY WITH THE WEST EUROPEANS WHILE NEGOTIATING THE CEASE-FIRE RESOLUTION WITH THE SOVIETS, STRUCK A RESPONSIVE CHORD WITH OTHER EC MEMBERS. POMPIDOU IS CLEARLY DISSATISFIED WITH EUROPE'S "INADEQUATE" ROLE DURING THE CRISIS AND HOPES TO EXPLOIT THE PRESENT SITUATION TO EMPHASIZE THE DISTINCTION BETWEEN EUROPEAN AND US INTERESTS IN A MIDDLE EAST SETTLEMENT. THE FRENCH LEADER ALSO WANTS TO ESTABLISH THAT WESTERN EUROPE'S DETENTE WITH THE EAST IS INDEPENDENT OF THAT BETWEEN THE US AND USSR.//

//THERE IS SUSPICION IN SOME EUROPEAN QUARTERS THAT THE FRENCH PRESIDENT MAY TRY TO MAGNIFY FRANCE'S ROLE. ALTHOUGH PARIS HAS TAKEN THE LEAD IN MAKING CLEAR THE EUROPEANS' UNHAPPINESS ABOUT NOT BEING KEPT INFORMED ABOUT US ACTIONS IN THE MIDDLE EAST CRISIS, THEY ARE ALL VERY MUCH AWARE OF THEIR CONTINUING DEPENDENCE ON THE US. THEY ARE DETERMINED,

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THEREFORE, TO MAKE SURE THAT STEPS TOWARD EUROPEAN
 UNITY DO NOT TAKE ON AN AURA OF CONFRONTATION WITH THE US.//

//POMPIDOU INITIALLY SUGGESTED REGULAR SUMMITS
 DURING HIS PRESS CONFERENCE ON 27 SEPTEMBER. AT
 THAT TIME, THE GERMANS, ITALIANS, AND BRITISH RE-
 SPONDED POSITIVELY--POSSIBLY BECAUSE THEY WERE
 LOOKING FOR ADDITIONAL WAYS TO REINVIGORATE THE
 COMMUNITY. BONN HAS REITERATED ITS SUPPORT IN
 RESPONSE TO POMPIDOU'S LATEST PROPOSAL. OTHER EC
 MEMBERS, SUCH AS THE DUTCH, MAY BE RELUCTANT TO PAR-
 TICIPATE UNLESS FRANCE NOW INDICATES A WILLINGNESS
 TO COOPERATE IN A COMMUNITY OIL-SHARING PROGRAM. (CONFIDENTIAL)//

&2.//WEST EUROPEAN COMMUNIST PARTIES: PLANNING IS
 NOW WELL UNDER WAY FOR A SERIES OF COMMUNIST PARTY
 CONFERENCES, BEGINNING WITH A MEETING OF WEST EURO-
 PEAN PARTIES EARLY NEXT YEAR.//

//ACCORDING TO AN OFFICIAL OF THE ITALIAN COMMU-
 NIST PARTY, THE CONFERENCE OF WEST EUROPEAN PARTIES,

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WHICH IS SCHEDULED TO TAKE PLACE IN BRUSSELS ON
 26-28 JANUARY 1974, WILL BE FOLLOWED BY A MEETING
 OF EAST AND WEST EUROPEAN PARTIES IN THE SPRING AND,
 EVENTUALLY, BY A WORLD COMMUNIST CONFERENCE.//

//THE ITALIAN COMMUNISTS ARE THE MAIN ORGANIZERS
 OF THE WEST EUROPEAN MEETING AND THEY CLAIM TO BE
 INVOLVED IN PLANNING FOR THE OTHER TWO CONFERENCES.
 AS PART OF THEIR STRATEGY TO CHANGE THE PUBLIC IMAGE
 OF THE WEST EUROPEAN COMMUNIST PARTIES, THE ITALIANS
 ARE URGING THE PARTICIPANTS TO TAKE POSITIONS ON
 EUROPEAN ISSUES INDEPENDENT OF MOSCOW. MOREOVER,
 THEY WANT THE ALL-EUROPEAN GATHERING TO CONSIDER THE
 IMPACT OF DETENTE ON RELATIONS BETWEEN THE WEST
 EUROPEAN PARTIES AND MOSCOW. THE ITALIANS, HOWEVER,
 ARE ENCOUNTERING RESISTANCE FROM THE FRENCH COMMU-
 NISTS WHO APPEAR TO BE ACTING ON SOVIET INSTRUCTIONS
 TO OPPOSE ANY ACTIONS THAT WOULD CHALLENGE MOSCOW'S
 PRE-EMINENCE IN THE INTERNATIONAL MOVEMENT.//

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//THE FRENCH ARE NOT TOTALLY OPPOSED TO CLOSER WORKING RELATIONS AMONG WEST EUROPEAN COMMUNISTS AND HAVE RECENTLY SHOWN MORE WILLINGNESS TO BACK THE ITALIAN DRIVE FOR A COORDINATED WEST EUROPEAN COMMUNIST STRATEGY TOWARD ECONOMIC AND SOCIAL ISSUES. THEY NOW SUPPORT A UNITED STAND ON LABOR AFFAIRS AND DEVELOPMENT OF A MECHANISM FOR EXERTING COMBINED PRESSURE ON THE EC. THE FRENCH PARTY, HOWEVER, REMAINS RELUCTANT TO TAKE A STAND ON ISSUES MORE SENSITIVE TO THE SOVIETS.//

//THE FRENCH, FOR EXAMPLE, ARE DRAGGING THEIR HEELS ON THE QUESTION OF INTELLECTUAL FREEDOM IN WESTERN EUROPE. AT THE WEST EUROPEAN CONFERENCE, THE ITALIANS WANT TO TURN THIS DISCUSSION INTO A REVIEW OF SOVIET POLICY TOWARD DISSIDENTS IN AN EFFORT TO MAKE CLEAR THE DIFFERENCES BETWEEN WEST EUROPEAN COMMUNISTS AND MOSCOW ON THIS ISSUE. THE FRENCH, HOWEVER, ARE ARGUING AGAINST ANY REFERENCE

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TO THE SOVIET DISSIDENT PROBLEM.//

//THE ITALIAN AND FRENCH PARTIES HAVE AGREED TO HELP ORGANIZE THE ALL-EUROPEAN CONFERENCE, SCHEDULED FOR THE SPRING OF 1974, BUT THEY ARE AT ODDS OVER THE PURPOSE AND AGENDA OF THE MEETING. THE ITALIANS WANT THE CONFERENCE TO TACKLE SUCH QUESTIONS AS RELATIONS BETWEEN THE EAST AND WEST EUROPEAN PARTIES IN THE CONTEXT OF CEMA AND AN ENLARGED EC, AND MEASURES TO INCREASE THEIR EFFECTIVENESS. THE FRENCH DO NOT WANT TO ANTAGONIZE THE SOVIETS AND ARE TRYING TO LIMIT THE AGENDA TO MORE MODERATE GOALS SUCH AS EXPLOITING COMMUNIST MEMBERSHIP IN THE EUROPEAN PARLIAMENT.//

//BOTH PARTIES REPORTEDLY HAVE AGREED TO A SOVIET PROPOSAL TO FOLLOW THE ALL-EUROPEAN MEETING WITH AN INTERNATIONAL COMMUNIST CONFERENCE, PRESUMABLY IN LATE 1974. THE ITALIANS HAVE MISGIVINGS ABOUT SUCH A CONFERENCE, HOWEVER, BECAUSE OF THEIR SUSPICIONS

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THAT MOSCOW WILL EXPLOIT THE CONFERENCE AGAINST CHINA IN A WAY THAT WOULD DAMAGE THE PARTY'S RELATIONS WITH THE CHINESE AND PROVE EMBARRASSING AT HOME. THE SOVIETS REPORTEDLY HAVE ASSURED THE ITALIANS THAT THE WORLD MEETING WILL NOT CENTER ON THE CHINESE ISSUE BUT WILL DEAL WITH THE OPPORTUNITIES CREATED BY DETENTE. NEVERTHELESS, THE ITALIANS ARE TRYING TO ORGANIZE OPPOSITION TO ANY ANTI-CHINESE MOVES. THEY AGREE WITH THE ROMANIANS AND YUGOSLAVS THAT THE WORLD MEETING SHOULD NOT GIVE MOSCOW A MANDATE AS THE "GUARDIAN OF WORLD SOCIALISM." {SECRET}//

3.//WESTERN EUROPE: PRODUCTION CUTBACKS AND EMBARGOES ON ARAB OIL ARE CONTINUING, BUT THE CEASE-FIRE HAS AT LEAST IMPROVED THE SUPPLY SITUATION FOR SOUTHERN EUROPE. SAUDI ARABIA AND KUWAIT, WHICH ACCOUNT FOR 60 PERCENT OF ARAB OIL EXPORTS, INITIALLY CUT OUTPUT BY 10 PERCENT; BOTH HAVE SINCE MADE ADDITIONAL CUTS EQUAL TO THE AMOUNT OF THEIR DIRECT AND INDIRECT EXPORTS TO THE UNITED STATES. KUWAIT HAS FURTHER

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REDUCED ITS PRODUCTION BY AN AMOUNT EQUAL TO ITS NORMAL EXPORTS TO THE NETHERLANDS. AS A RESULT, SAUDI AND KUWAITI PRODUCTION IS ABOUT 25 PERCENT LESS THAN IT WAS IN SEPTEMBER.//

//ACCORDING TO OIL MINISTER OTAIBA, ABU DHABI NEEDS TO MAXIMIZE ITS REVENUES AND PRODUCTION. ALTHOUGH IT IS EMBARGOING SHIPMENTS TO THE US AND THE NETHERLANDS, IT IS NOT CUTTING BACK OUTPUT. AS LONG AS THIS POLICY CONTINUES, THE OIL COMPANIES CAN DIVERT NON-ARAB OIL TO THE US AND REPLACE IT WITH ABU DHABI OIL.//

//PIPELINE TERMINALS IN SYRIA AND LEBANON, WHICH NORMALLY SUPPLY WESTERN EUROPE WITH ABOUT 2 MILLION BARRELS PER DAY {B/D}-13 PERCENT OF ITS SUPPLY-WILL SOON BE BACK TO THEIR USUAL LEVEL. THE LEBANON TERMINALS, WHICH HANDLED ABOUT 1 MILLION B/D OF IRAQI AND SAUDI CRUDE OIL, ARE EXPECTED TO RESUME NORMAL OPERATIONS THIS WEEK. THE SYRIAN TERMINAL OF BANIYAS {ABOUT 700,000 B/D}, DAMAGED BY AIR ATTACKS, WILL BE CLOSED FOR FOUR TO SIX WEEKS AND THEN RESUME ACTIVITY AT ONE-HALF CAPACITY.//

//WESTERN OIL COMPANIES REPORTEDLY ARE TAKING MEASURES

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TO EASE THE EFFECTS OF THE ARAB ACTIONS ON THE US AND THE NETHERLANDS. THEY ARE ■SWITCHING CRUDE OIL SOURCES AND PASSING OIL THROUGH THIRD COUNTRIES. THE EMBARGO ON SHIPMENTS ■TO THE NETHERLANDS IS A THREAT NOT ONLY TO THE DUTCH ECONOMY BUT ALSO TO OTHER WEST EUROPEAN COUNTRIES. THE EMBARGO WILL AFFECT NEARLY 70 ■PERCENT OF THE NETHERLAND'S CRUDE OIL IMPORTS. ONLY ABOUT 20 PERCENT OF THESE IMPORTS ARE CONSUMED IN THE NETHERLANDS; THE REST IS RE-EXPORTED-PRIMARILY TO WEST GERMANY, BELGIUM, AND SCANDINAVIA. WEST GERMANY IMPORTS ABOUT 540,000 B/D OF CRUDE OIL FROM THE NETHERLANDS-ABOUT 18 PERCENT■ OF ITS TOTAL CRUDE OIL CONSUMPTION.//

//SEVERAL MAJOR OIL COMPANIES HAVE WARNED EUROPEAN GOVERNMENTS TO EXPECT REDUCED ALLOCATIONS. THE SUCCESS OF THE COMPANIES IN CIRCUMVENTING THE EMBARGOES WILL DEPEND ON HOW RIGIDLY THE ARABS POLICE THEIR RESTRICTIONS AND WHETHER THE COMPANIES ARE WILLING TO RISK PUNITIVE ACTION BY THE ARAB STATES AND POSSIBLY BY SOME CONSUMING STATES.//

//CONCERN IS MOUNTING IN WESTERN EUROPE OVER CUTBACKS

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IN ARAB OIL SHIPMENTS, BUT EC COUNTRIES REMAIN RELUCTANT TO ACT IN CONCERT TO MEET THIS THREAT. MOST OF THEM ARE UNWILLING TO PARTICIPATE IN JOINT ACTION ON GROUNDS THAT THIS COULD PROVOKE THE ARABS INTO TAKING EVEN MORE DRASTIC STEPS.//

//ALL OF THE EC MEMBERS ARE BEING AFFECTED IN VARYING DEGREES, BUT THE DUTCH HAVE BEEN THE FIRST TO FEEL THE FULL IMPACT OF THE EMBARGO. FACED WITH THE PROSPECT OF A CRITICAL OIL SHORTAGE, THE DUTCH HAVE TAKEN THE POSITION THAT THIS IS A PROBLEM FOR ALL EC MEMBERS AND THAT ALL SHOULD BE PREPARED TO ASSUME A FAIR SHARE OF THE BURDEN.//

//MEANWHILE, LIBYA, A MAIN SUPPLIER OF OIL TO WEST GERMANY, HAS WARNED THAT UNLESS BONN RADICALLY ALTERS ITS MIDDLE EAST POLICY IT, TOO, FACES AN EMBARGO. THE PRESSURE WAS STEPPED UP ON 31 OCTOBER WHEN THE LIBYAN AMBASSADOR ADMONISHED WEST GERMANY NOT TO AID THE NETHERLANDS BY PROVIDING OIL FROM ITS OWN RESERVES. ROME IS ALSO VULNERABLE TO LIBYAN PRESSURE. ITALY RECEIVES ABOUT A QUARTER OF ITS CRUDE IMPORTS FROM TRIPOLI.//

//THE BRITISH AND THE FRENCH APPEAR DETERMINED TO AVOID

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ANY ACTION THAT MIGHT PROVOKE THE ARABS INTO TAKING HARSHER ACTIONS AGAINST THEM. PRIME MINISTER HEATH EARLIER THIS WEEK CLAIMED THAT HE HAD RECEIVED "FIRM ASSURANCES" FROM THE OIL-PRODUCING COUNTRIES THAT THEY HAD NO INTENTION OF CREATING DIFFICULTIES FOR BRITAIN. THE FRENCH ALL ALONG HAVE INSISTED THAT THEY HAVE A "SPECIAL POSITION" WITH THE ARAB OIL-PRODUCING STATES THAT ASSURES FRANCE AN UNINTERRUPTED SUPPLY OF OIL.//

//AT THE MOMENT , THE OECD IS THE ONLY FORUM WHICH IS CAPABLE OF PROVIDING A MECHANISM FOR RATIONING OIL SUPPLIES AMONG EUROPEAN COUNTRIES IN A PERIOD OF EMERGENCY. BUT IT WAS MADE CLEAR AT A MEETING OF THE OECD OIL COMMITTEE LAST WEEK THAT THERE WAS LITTLE SUPPORT FOR IMPLEMENTING ANY FORMAL OIL SHARING ARRANGEMENT AT THIS TIME. THE WILLINGNESS OF THE US TO CONSIDER SHARING ITS OIL SUPPLIES WILL ULTIMATELY BE CRUCIAL IN THE ESTABLISHMENT OF ANY SUCH MEASURES.//

//EVENTS CONNECTED WITH MIDDLE EAST WAR HAVE LED TO SHARP CRITICISM OF WASHINGTON AND RAISED NEW QUESTIONS ABOUT THE STATE OF THE NATO ALLIANCE. MANY WEST EUROPEANS ARE FRUSTRATED

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AND SOMEWHAT BITTER ABOUT SOME US ACTIONS—ESPECIALLY THE SUDDEN IMPOSITION OF A WORLD-WIDE ALERT WITHOUT, THEY SAY PRIOR CONSULTATION. A FEW BRITAIN IN PARTICULAR HAVE TRIED TO PLAY DOWN DIFFERENCES. ^{PART} ~~SCHELL~~ WEST GERMAN FOREIGN MINISTER HAS ECHOED STATEMENTS BY OTHER EUROPEAN DIPLOMATS THAT AGREEMENT MUST BE REACHED IN NATO ABOUT HOW ALLIANCE MEMBERS WILL DEAL WITH THEIR PARTNERS WHEN THERE ARE CONFLICTS OUTSIDE THE NATO TREATY AREA.//

//OTHER WEST GERMAN OFFICIALS HAVE CALLED FOR CLOSER CONSULTATION BY THE WEST EUROPEANS ON MILITARY AND SECURITY ISSUES WITHIN NATO. THE WEST EUROPEANS POINT OUT THE US MILITARY ALERT AFFECTED TROOPS STATIONED IN WESTERN EUROPE AND THEREFORE COULD HAVE HAD CONSEQUENCES FOR ALL NATO MEMBERS. CRITICISM BY THE FRENCH THAT THE US AND SOVIET UNION HAD FORCED THEIR DRAFT RESOLUTIONS THROUGH THE UN SECURITY COUNCIL FOUND ~~WILDE~~ AGREEMENT. THE WEST EUROPEANS HAVE BEEN AFRAID SINCE THE ~~■~~SIGNING OF THE US-SOVIET AGREEMENT ON THE PREVENTION OF NUCLEAR WAR THAT IN A TIME OF CRISIS THE US AND USSR WOULD DEAL BILATERALLY ON ISSUES VITAL TO ALL OF EUROPE.//

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//MANY WEST EUROPEAN OFFICIALS ARE WORRIED THAT THE EVENTS OF THE PAST FEW WEEKS MAY MAKE THE NARROWING OF EXISTING DIFFERENCES OVER TRADE, MONETARY REFORM, DEFENSE BURDENSHARING, AND SECURITY JUST THAT MUCH MORE DIFFICULT. RECENT DISCUSSIONS BY MEMBERS OF THE EUROPEAN COMMUNITIES OF A DRAFT DECLARATION OF ATLANTIC PRINCIPLES INDICATE THAT THE FRENCH—APPARENTLY SUPPORTED BY THE OTHERS—are digging in their heels in opposition to the use of the term "PARTNERSHIP" to describe the US-EUROPEAN RELATIONSHIP. THE OTHERS ALSO SHARE THE FRENCH VIEW THAT THE WEST EUROPEANS MUST BE FREE TO PURSUE DETENTE ON THEIR OWN TERMS, NOT THOSE OF THE US. {SECRET}//

4. USSR: THE SOVIET ECONOMY IS MAKING A STRONG RECOVERY THIS YEAR. ESTIMATES BASED ON DEVELOPMENTS THROUGH THE THIRD QUARTER INDICATE THAT THE GROSS NATIONAL PRODUCT IS GROWING BY 7 PERCENT COMPARED WITH AN ANEMIC 1.7 PERCENT LAST YEAR. AGRICULTURE IS SPARKING THE RECOVERY, AND INDUSTRIAL PERFORMANCE IS ALSO UP. THE USSR WILL MAKE UP MUCH OF THE GROUND LOST LAST YEAR.

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GROWTH RATES IN INDUSTRY ARE FOR THE MOST PART RUNNING ABOVE PLAN TARGETS, MANY OF WHICH HAD BEEN CUT BACK IN THE WAKE OF THE DIFFICULTIES LAST YEAR. STRONG SHOWINGS HAVE BEEN MADE IN CHEMICALS, CONSTRUCTION MATERIALS, AND SOME CONSUMER DURABLES. REFRIGERATORS, FURNITURE, AND PASSENGER CARS ARE BEING PRODUCED IN SUBSTANTIALLY GREATER VOLUME THAN LAST YEAR. WEAK SPOTS THIS YEAR HAVE BEEN ENERGY PRODUCTION AND SOME PROCESSED FOODS, PARTICULARLY MEAT AND VEGETABLE OIL. PRODUCTION OF OIL AND GAS DURING THE FIRST NINE MONTHS GREW AT LOWER RATES THAN THE REDUCED GOALS SET FOR THE FULL YEAR. THE OIL EQUIPMENT SECTOR, MOREOVER, IS LAGGING BEHIND IN ITS DELIVERIES TO THE OIL AND GAS INDUSTRIES.

A 25-PERCENT RISE IN THE GRAIN HARVEST, TOGETHER WITH GOOD TO EXCELLENT CROPS OF POTATOES, SUGARBEETS, COTTON, AND SUNFLOWER SEEDS, IS RESPONSIBLE FOR THE SURGE IN FARM OUTPUT. LIVESTOCK IS STILL RECOVERING FROM THE EFFECTS OF SHORT RATIONS. MEAT PROCESSING IS RUNNING BELOW LAST YEAR, AND THERE ARE MEAT SHORAGES IN PROVINCIAL CITIES.

THESE BUMPER CROPS SHOULD BOLSTER OUTPUT OF MEAT AND OTHER

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LIVESTOCK PRODUCTS THROUGH 1974 AND REDUCE THE NEED TO IMPORT GRAIN. EVEN SO, THE USSR WILL REMAIN A NET IMPORTER UNLESS THERE IS ANOTHER ABOVE-NORMAL CROP NEXT YEAR. DESPITE THE EXPECTED DECLINE IN GRAIN IMPORTS, SOVIET HARD CURRENCY EXPENDITURES FOR GRAIN WILL NOT FALL PROPORTIONATELY BECAUSE ORDERS IN 1973 WERE MADE AT MUCH HIGHER PRICES THAN IN 1972.

WHEN THE USSR BOUGHT LARGE QUANTITIES OF WESTERN GRAIN IN THE MID-1960S, THE VALUE OF MACHINERY PURCHASED FROM THE INDUSTRIAL WEST DECLINED. THIS YEAR, HOWEVER, THE CONTINUING SIZABLE OUTLAYS FOR GRAIN SHOULD NOT CONSTRAIN IMPORTS OF MACHINERY AND TECHNOLOGY APPRECIABLY, BECAUSE OF THE GREATER AVAILABILITY OF LONG-TERM CREDITS. AS A MATTER OF FACT, NEW MACHINERY ORDERS HAVE CLIMBED VIGOROUSLY THIS YEAR, EVEN THOUGH A RECORD HARD-CURRENCY DEFICIT IS ANTICIPATED. {CONFIDENTIAL}

5. ARAB STATES - ISRAEL: IT WAS QUIET ON BOTH FRONTS AGAIN ON 1 NOVEMBER, EXCEPT FOR A CLASH ON THE EAST BANK OF THE SUEZ CANAL. THE POW ISSUE HAS NOT YET BEEN RESOLVED AND THE UN SECURITY COUNCIL CONTINUES TO GRAPPLE WITH THE PROBLEM OF STAFFING ITS PEACEKEEPING FORCE.

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THE INCIDENT IN THE SINAI INVOLVED THE MOVEMENT OF ABOUT A COMPANY-SIZED EGYPTIAN FORCE CLOSER TO ISRAELI LINES NEAR THE GIDI PASS. AN ISRAELI SPOKESMAN SAID THE EGYPTIANS PROBABLY WERE TRYING TO IMPROVE THEIR POSITIONS, RATHER THAN BREAK OUT. THE ISRAELIS FIRED WARNING SHOTS OVER THE HEADS OF THE EGYPTIANS, AND AN HOUR-LONG SKIRMISH ENSUED INVOLVING ARTILLERY AND TANKS.

ISRAELI AND EGYPTIAN OFFICERS HELD A FOURTH MEETING ON 1 NOVEMBER TO DISCUSS THE QUESTION OF POWS. NO BREAKTHROUGH WAS REPORTED. SYRIA, MEANWHILE, HAS ANNOUNCED IT IS PREPARED TO SUBMIT A LIST OF ISRAELI POWS IN SYRIA TO THE INTERNATIONAL RED CROSS AND ALLOW RED CROSS OFFICIALS TO VISIT THEM IF ISRAEL WILL: STATE OFFICIALLY THAT IT WILL COMPLY FULLY WITH THE PROVISIONS OF THE GENEVA CONVENTIONS; RETURN THE BODIES OF SYRIANS KILLED IN THE WAR; AND ALLOW SYRIAN VILLAGERS DISPLACED DURING THE FIGHTING TO RETURN TO THEIR HOMES.

THE INFORMAL UN SECURITY COUNCIL MEETING ON 1 NOVEMBER SERVED ONLY TO SHARPEN THE CONTROVERSY OVER WHICH MEMBERS SHOULD PARTICIPATE IN THE UN EMERGENCY FORCE. THE SOVIET UNION DEMANDED THAT THE DECISION TO PERMIT CANADIAN LOGISTIC UNITS BE REVERSED UNLESS WARSAW

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PACT MEMBERS ALSO ARE INCLUDED. NONALIGNED STATES INSISTED THAT THE COUNCIL DISREGARD THE ISRAELI REQUIREMENT THAT CONTRIBUTORS HAVE DIPLOMATIC RELATIONS WITH ISRAEL. TOGETHER WITH THE ARABS, THE NON-ALIGNED STATES ARE PRESSING THE AFRICAN STATES--WHICH THE SECRETARIAT BELIEVES MUST BE REPRESENTED ON THE FORCE--TO OFFER CONTINGENTS ONLY IF THEY HAVE SEVERED RELATIONS WITH TEL AVIV.

IN ISRAEL, MRS. MEIR'S LABOR ALIGNMENT WAS ABLE TO CARRY THE DAY IN A KNESSET DEBATE EARLIER THIS WEEK OVER THE POW ISSUE, LARGELY BECAUSE OF GENERAL DAYAN'S ANNOUNCEMENT OF EGYPT'S READINESS TO COOPERATE WITH THE INTERNATIONAL RED CROSS. DESPITE THIS SUCCESS, THE LABOR PARTY WILL FACE ROUGH TREATMENT IN THE WEEKS AHEAD AS OPPPOSITION LEADERS SHARPEN THEIR ATTACKS ON THE GOVERNMENT'S HANDLING OF PRE-WAR INTELLIGENCE AND MILITARY PREPAREDNESS, THE DECISION TO ALLOW THE EGYPTIAN THIRD ARMY TO BE RESUPPLIED, //AND THE ALLEGED CAPITULATION TO US PRESSURES.//

INFLUENTIAL EGYPTIAN EDITOR HAYKAL COMMENTED IN A COLUMN THIS WEEK THAT ANY NEW OUTBREAK OF HOSTILITIES WOULD PROBABLY BE INITIATED BY ISRAEL, BUT HE IMPLIED THAT EGYPT ITSELF IS ALSO READY. //HE

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ASSERTED THAT ISRAEL STOPPED FIGHTING ONLY BECAUSE OF US PRESSURE, BUT "MIGHT NOW BE BESET BY THE TEMPTATION TO SLIP FREE" AND TAKE ACTION TOWARD "REDRESSING THE SITUATION ON THE BATTLEFIELD."// HE ADDED THAT HE BELIEVES "ONE WHO DOES NOT ADVANCE IS IN FACT RETREATING." WITH THIS OBLIQUE REFERENCE TO POSSIBLE EGYPTIAN MILITARY ACTION, HE JOINS A GROWING LIST OF EGYPTIANS WHO ARE ADVOCATING-- SOMEWHAT MORE DIRECTLY THAN HE--RENEWED WAR. {SECRET}E-2 IMPDETH

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EAST ASIA BRIEF OBS.

ITEMS MARKED & HAVE BEEN COORDINATED WITH THE DEPARTMENTS OF STATE AND DEFENSE.

&1■. JAPAN: THE JAPANESE GOVERNMENT IS UNDER INCREASING PRESSURE TO ABANDON ITS NEUTRAL STANCE ON THE MIDDLE EAST IN FAVOR OF OPEN SUPPORT FOR THE ARABS.

VICE FOREIGN MINISTER HOGEN, HOPING THAT A POLITICAL SETTLEMENT CAN BE ARRANGED BEFORE JAPAN'S OIL SUPPLY SITUATION BECOMES TIGHT, HAS THUS FAR HELD TO THE LINE THAT TOKYO SHOULD NOT GO BEYOND SUPPORTING SECURITY COUNCIL RESOLUTION 242 IN RESPONDING TO ARAB DEMANDS FOR POLITICAL SUPPORT. THE GOVERNMENT MAY FACE A MAJOR POLICY DECISION BY LATE NOVEMBER, HOWEVER, IN VIEW OF THE ARAB'S ANNOUNCED INTENTION TO MAKE FURTHER CUTS IN THE OIL SUPPLY. DEPENDING ON THEIR SEVERITY, SUCH CUTS COULD HAVE A PROFOUND EFFECT ON THE JAPANESE PUBLIC AND POSSIBLY ENDANGER THE TANAKA GOVERNMENT.

JAPAN STANDS TO LOSE AT LEAST 500,000 BARRELS PER DAY OF OIL IMPORTS, OR ABOUT 9 PERCENT OF CONSUMPTION, AS A RESULT OF

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THE INITIAL CUTBACK IN PRODUCTION BY THE ARAB PRODUCERS. THE MAJOR INTERNATIONAL OIL FIRMS THAT SUPPLY THE BULK OF JAPAN'S OIL HAVE ALREADY NOTIFIED THE JAPANESE OF IMPENDING CUTBACKS IN DELIVERIES. //GULF OIL, WHICH SUPPLIES ABOUT 10 PERCENT OF JAPAN'S IMPORTS, WILL CUT SHIPMENTS BY 35 PERCENT RETROACTIVE TO 1 OCTOBER.// JAPANESE REFINERIES THUS FAR ARE OPERATING NORMALLY AND PETROLEUM STOCKS PROBABLY ARE EQUIVALENT TO ABOUT SIX WEEKS OF NORMAL CONSUMPTION. NONETHELESS, THE GOVERNMENT IS DRAWING UP PLANS TO RESTRICT CONSUMPTION, INCLUDING RATIONING IF NECESSARY.

JAPANESE DIPLOMATS HAVE ALREADY OFFERED TO UNDERWRITE PREVIOUSLY REJECTED AID PROJECTS TO ARAB COUNTRIES, AND A NEW SOFT LINE ON EGYPTIAN DEBT RESCHEDULING IS BEING CONSIDERED.//A JAPANESE FOREIGN MINISTRY OFFICIAL HAS TOLD THE US EMBASSY, HOWEVER, THAT// WORKING-LEVEL OFFICIALS DO NOT BELIEVE SUCH REPRESENTATIONS WILL BE SUFFICIENT TO RESTORE OIL DELIVERIES TO JAPAN TO PREVIOUS LEVELS. CONSIDERATION IS NOW BEING GIVEN TO SENDING INTERNATIONAL TRADE MINISTER NAKASONE, OR EVEN PRIME MINISTER TANAKA, TO VISIT ARAB CAPITALS, IF THE MIDDLE EAST SITUATION HAS NOT IMPROVED BY

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DECEMBER. THE WORKING-LEVEL OFFICIALS ENVISAGE THAT SUCH A TRIP MIGHT BE ACCCOMPANIED BY A DRASTIC CHANGE IN JAPANESE MIDDLE EAST POLICY, POSSIBLY INCLUDING A BREAK IN DIPLOMATIC RELATIONS WITH ISRAEL.//THUS FAR, SENIOR FOREIGN MINISTRY OFFICIALS HAVE TALKED TO THE US EMBASSY ONLY ABOUT ARAB DEMANDS THAT JAPAN SUPPORT THEM ON THE TERRITORIAL ISSUE.//{CONFIDENTIAL}

&2. JAPAN: THE BANK OF JAPAN ALLOWED THE YEN TO DEPRECIATE BY MORE THAN 1 PERCENT BEFORE INTERVENING IN THE MARKET ON 1 NOVEMBER AS THE DOLLAR CONTINUED TO GAIN STRENGTH. PRESSURE ON THE YEN HAS BEEN STRONG FOR SOME MONTHS BECAUSE OF THE DECLINING TRADE SURPLUS AND RECORD LONG-TERM CAPITAL OUTFLOWS. UNTIL RECENT WEEKS, HOWEVER, THE CENTRAL BANK HAD BEEN SUCCESSFUL IN KEEPING THE EXCHANGE RATE AT ABOUT 265 YEN TO THE DOLLAR BY INTERVENING ALMOST DAILY. THE GRADUAL EROSION OF THE YEN IN OCTOBER, DESPITE INCREASED INTERVENTION, INDUCED THE CENTRAL BANK TO SET THE UNOFFICIAL INTERVENTION POINT AT 270 YEN TO THE DOLLAR.

DESPITE THE HIGHER PRICE FOR THE DOLLAR, THE BANK OF JAPAN HAD TO SELL \$150 MILLION ON 1 NOVEMBER TO KEEP THE YEN FROM DE-

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PRECIPITATING EVEN FURTHER. UNDERLYING THE STRONG DOWNWARD PRESSURE ON THE YEN IS THE BELIEF THAT THE DECLINE IN JAPAN'S TRADE SURPLUS WILL NOT SOON BE REVERSED AND THAT LARGE BALANCE-OF-PAYMENTS DEFICITS WILL CONTINUE. GIVEN THESE FACTORS, SOME ESTIMATES PLACE THE EQUILIBRIUM EXCHANGE RATE AT ABOUT 280 YEN TO THE DOLLAR. IF THE DOLLAR'S STRENGTH CONTINUES, TOKYO MAY ALLOW THE YEN TO FLOAT TOWARD THAT RATE TO AVOID A FURTHER SHARP DECLINE IN FOREIGN EXCHANGE RESERVES. {CONFIDENTIAL}

3. SOUTH KOREA - JAPAN: SEOUL AND TOKYO HAVE WORKED OUT AN AGREEMENT TO SETTLE THE CONTROVERSY OVER THE KIDNAPING OF OPPOSITION POLITICAL LEADER KIM TAE-CHUNG BY THE SOUTH KOREAN CIA IN TOKYO THREE MONTHS AGO. SEOUL'S PRIME MINISTER WILL PRESENT AN APOLOGY TO THE JAPANESE ON 2 NOVEMBER AND PROVIDE ASSURANCES THAT KIM, WHO WAS RELEASED FROM HOUSE ARREST IN SEOUL ON 26 OCTOBER, WILL NOT BE RESTRICTED OR PUNISHED. THE SOUTH KOREANS ALSO HAVE AGREED TO DISMISS A CIA OFFICER IDENTIFIED BY TOKYO AS INVOLVED IN THE ABDUCTION AND TO INVESTIGATE HIS ACTIVITIES IN RESPONSE TO JAPANESE DEMANDS THAT HE BE PUNISHED. {CONFIDENTIAL}

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//SOUTH VIETNAM: THERE HAS BEEN SOME ■INCREASE IN COMMUNIST MILITARY ACTIVITY IN WIDELY SCATTERED AREAS DURING THE PAST WEEK, BUT THE MAJOR ATTACKS FORECAST NORTH OF SAIGON HAVE NOT MATERIALIZED. FIGHTING IN THE DELTA WAS THE HEAVIEST SINCE JUNE, AND COMMUNIST SAPPERS IN THE NORTHERN COASTAL PROVINCES ATTACKED SEVERAL IMPORTANT BRIDGES ALONG HIGHWAY 1. ACTION WEST OF PLEIKU CITY IN THE HIGHLANDS HAS SLOWED DOWN SINCE THE GOVERNMENT LOST A BATTALION-SIZED POSITION IN THE AREA LAST WEEK.//

//REPORTING STILL POINTS TO COMMUNIST PLANS TO INTENSIFY HARASSING OPERATIONS IN NOVEMBER AND DECEMBER, PARTICULARLY IN THE PROVINCES AROUND SAIGON. LOCAL VIET CONG FORCES REPORTEDLY ■ARE BEING TOLD THEY WILL TAKE PART IN A LIMITED BUT NATIONWIDE CAMPAIGN DESIGNED TO PUNISH GOVERNMENT FORCES OPERATING IN COMMUNIST-CONTROLLED AREAS. OTHER GOALS ARE TO SECURE RICE AND OTHER NEEDED SUPPLIES.//

//EARLIER COMMUNIST PLANS TO STEP UP ACTIVITY IN THE AREA AROUND TAY NINH CITY NORTH OF SAIGON MAY HAVE BEEN SET BACK AS A RESULT OF EXTENSIVE SPOILING ACTIONS CARRIED OUT BY SAIGON FORCES.

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SENIOR SOUTH VIETNAMESE MILITARY OFFICERS ARE NOW CONVINCED THAT THE COMMUNISTS IN THE NEXT SEVERAL WEEKS WILL FOCUS ON INCREASED HARASSMENT OF ISOLATED GOVERNMENT POSITIONS.//

//SAIGON LEADERS ARE STILL APPREHENSIVE ABOUT THE POSSIBILITY OF MAJOR COMMUNIST ACTION EARLY IN 1974. THE JOINT GENERAL STAFF ESTIMATES THAT THE COMMUNISTS HAVE THE CAPABILITY TO LAUNCH AN ALL-OUT MILITARY OFFENSIVE IN THE COMING DRY SEASON, ALTHOUGH PRIME MINISTER KHIEM RECENTLY TOLD A US OFFICIAL THAT THE GOVERNMENT LACKS HARD EVIDENCE THAT THEY INTEND TO DO SO.//

//GOVERNMENT APPREHENSION OVER A POSSIBLE COMMUNIST DRY
SEASON OFFENSIVE APPARENTLY HAS PROMPTED PRESIDENT THIEU TO EM-
BARK ON A MAJOR SHAKE-UP OF HIS GENERALS. LIEUTENANT GENERAL
MINH, COMMANDER OF THE CRITICAL MILITARY REGION 3 AROUND SAIGON,
WAS REPLACED LATE LAST WEEK BY LIEUTENANT GENERAL THUAN, WHO HAS
BEEN THE SENIOR SOUTH VIETNAMESE REPRESENTATIVE TO THE TWO PARTY
JOINT MILITARY COMMISSION WITH THE VIET CONG. INDICATIONS THAT
MILITARY REGION 3 WOULD BE A PRIORITY TARGET AREA IN ANY NEW
COMMUNIST MILITARY ACTION HAD CONTRIBUTED TO GROWING CRITICISM

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OF MINH'S PERFORMANCE.//

// THERE ARE REPORTS THAT THE COMMANDERS OF TWO SOUTH VIETNAMESE DIVISIONS IN MILITARY REGION 3--THE 5TH AND 25TH--WILL ALSO BE RELIEVED SHORTLY. IN MILITARY REGION 1, THE 1ST DIVISION COMMANDER WAS RECENTLY REPLACED BY HIS DEPUTY. IN THE DEFENSE MINISTRY, SEVERAL CAPABLE AND AGGRESSIVE OFFICERS HAVE BEEN MOVED TO POSITIONS OF INCREASED RESPONSIBILITY, AND IT IS PROBABLE THAT OTHER CHANGES ARE ALSO IN THE MILL. {SECRET}//

5.//CHINA: PUBLIC APPEARANCES BY CHINA'S LEADERS HAVE DROPPED OFF SHARPLY SINCE THE MIDDLE OF OCTOBER, AND THE SPECULATION IN PEKING IS THAT THEY HAVE BEEN PREOCCUPIED WITH THE NATIONAL PEOPLE'S CONGRESS. ALTHOUGH THE CONGRESS IN THEORY IS THE HIGHEST ORGAN OF GOVERNMENT, IN REALITY IT MERELY RUBBER-STAMPS THE PARTY'S PROGRAMS. NEVERTHELESS, THE CHINESE ATTACH SOME IMPORTANCE TO THIS ENDORSEMENT, NOTING, FOR EXAMPLE, THAT IT IS NOT PROPER FOR CHINA TO BE IN THE MIDST OF AN ECONOMIC PLAN THAT HAS NEVER HAD THIS STAMP OF APPROVAL. CHINESE OFFICIALS WERE REPORTED TO HAVE PREDICTED LAST SPRING ■■■THAT THE TENTH PARTY

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CONGRESS WOULD BE HELD IN AUGUST {IT WAS} AND THE NATIONAL PARTY CONGRESS WOULD FOLLOW IN NOVEMBER.//

//PERSONNEL APPOINTMENTS, INCLUDING GOVERNMENT MINISTERS AND VICE PREMIERS, ARE PROBABLY AMONG THE ITEMS CURRENTLY BEING DISCUSSED. SEVERAL MORE VICE PREMIERS ARE NEEDED TO HELP SHARE THE LOAD WITH CHINA'S OVER-BURDENED PREMIER, CHOU EN-LAI. ALTHOUGH CHOU HAD 15 DEPUTIES BEFORE THE CULTURAL REVOLUTION, THERE ARE NOW FIVE, AND ONLY TWO OF THESE ARE FULLY ACTIVE. THE TOP-RANKED VICE PREMIER PRESUMABLY IS THE MAN SLATED TO SUCCEED CHOU.//

//SEVERAL TOP PARTY OFFICIALS MAY WELL BE COMPETING FOR VICE-PREMIERSHIPS. IN THE PAST, ALMOST ALL POLITBURO MEMBERS HELD A POST IN THE CENTRAL GOVERNMENT, AND MANY OF THEM WERE VICE PREMIERS. THE NEW POLITBURO INCLUDES SEVERAL PARTY LEADERS, SUCH AS VICE CHAIRMAN WANG HUNG-WEN AND STANDING COMMITTEE MEMBER CHANG CHUN-CHIAO, WHO HOLD NO GOVERNMENT POSITIONS. ONE OF THE TWO COULD CONCEIVABLY REPLACE VICE PREMIER LI HSIEN-NIEN AS CHOU'S TOP-RANKING DEPUTY. IN ADDITION, MME. MAO AND HER PROTEGE YAO WEN-YUAN, THE POLITBURO'S TWO OBSTREPEROUS LEFTISTS, MAY ALSO BE

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TRYING TO WIN GOVERNMENT POSITIONS.//

//MOST OF CHINA'S MINISTRIES NOW HAVE DESIGNATED CHIEFS, BUT SOME CHANGES MAY BE IN THE OFFING. CHINA'S LEADERS ARE TRYING TO REDUCE THE ROLE OF THE MILITARY IN CIVILIAN AFFAIRS, AND MOST OF THE CURRENT MINISTERS ARE MILITARY MEN. THEIR TENURE WAS CALLED INTO QUESTION LAST MONTH WHEN A CIVILIAN REPLACED A MILITARY MAN AS FOREIGN TRADE MINISTER. WAITING IN THE WINGS ARE SEVERAL REHABILITATED CIVILIANS WITH VAST EXPERIENCE AND NO OFFICIAL DUTIES.//

//ASIDE FROM PERSONNEL APPOINTMENTS, WHICH BRING COMPLEX POLITICAL AND PERSONAL LOYALTIES INTO CONFLICT, THE CHINESE ALSO MUST WRESTLE WITH POLICY ISSUES. EDUCATION, A BONE OF CONTENTION BEFORE THE PARTY CONGRESS, IS ONE SUCH ISSUE; ANOTHER IS ECONOMIC POLICY.//

//ANOTHER FUNDAMENTAL QUESTION CONCERNs THE IMPLEMENTATION OF APPROVED POLICIES AT THE LOCAL LEVEL. EARLIER, A MOVE WAS AFOOT TO REPLACE REVOLUTIONARY COMMITTEES, THE LOCAL ADMINISTRATIVE ORGANIZATIONS FORMED DURING THE CULTURAL REVOLUTION, WITH UNITS MORE CLOSELY RESEMBLING THOSE THAT EXISTED PRIOR TO THE

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CULTURAL REVOLUTION. DESPITE SOME INITIAL MOVES IN THIS DIRECTION, CHOU EN-LAI INDICATED AT THE PARTY CONGRESS THAT THE REVOLUTIONARY COMMITTEES WOULD HAVE A CONTINUING ROLE. THE COMMITTEES INCLUDE WORKERS AND PEASANTS, AND SOME PARTY LEADERS WOULD LIKE TO REPLACE THEM WITH SEASONED ADMINISTRATORS. A MEMBER OF CHOU EN-LAI'S STAFF REPORTEDLY STATED LAST JULY THAT, BY WAY OF COMPROMISE, THE NAME OF THE REVOLUTIONARY COMMITTEES WOULD BE KEPT TO APPEASE THE LEFTISTS, BUT THE COMPOSITION OF THE COMMITTEES WOULD BE ALTERED.//

//THE RESOLUTION OF THESE AND OTHER ISSUES COULD BE REVEALED AT THE NATIONAL PEOPLE'S CONGRESS. IN LIGHT OF THE MAGNITUDE OF THE QUESTIONS, IT IS NOT SURPRISING THAT PREPARATIONS FOR THE MEETING ARE TAKING TIME. {CONFIDENTIAL}//

b. ARAB STATES - ISRAEL: IT WAS QUIET ON BOTH FRONTS AGAIN ON 1 NOVEMBER, EXCEPT FOR A CLASH ON THE EAST BANK OF THE SUEZ CANAL. THE POW ISSUE HAS NOT YET BEEN RESOLVED AND THE UN SECURITY COUNCIL CONTINUES TO GRAPPLE WITH THE PROBLEM OF STAFFING ITS PEACEKEEPING FORCE.

THE INCIDENT IN THE SINAI INVOLVED THE MOVEMENT OF ABOUT A

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COMPANY-SIZED EGYPTIAN FORCE CLOSER TO ISRAELI LINES NEAR THE GIDI PASS. AN ISRAELI SPOKESMAN SAID THE EGYPTIANS PROBABLY WERE TRYING TO IMPROVE THEIR POSITIONS, RATHER THAN BREAK OUT. THE ISRAELIS FIRED WARNING SHOTS OVER THE HEADS OF THE EGYPTIANS, AND AN HOUR-LONG SKIRMISH ENSUED INVOLVING ARTILLERY AND TANKS.

ISRAELI AND EGYPTIAN OFFICERS HELD A FOURTH MEETING ON 1 NOVEMBER TO DISCUSS THE QUESTION OF POWS. NO BREAKTHROUGH WAS REPORTED. SYRIA, MEANWHILE, HAS ANNOUNCED IT IS PREPARED TO SUBMIT A LIST OF ISRAELI POWS IN SYRIA TO THE INTERNATIONAL RED CROSS AND ALLOW RED CROSS OFFICIALS TO VISIT THEM IF ISRAEL WILL: STATE OFFICIALLY THAT IT WILL COMPLY FULLY WITH THE PROVISIONS OF THE GENEVA CONVENTIONS; RETURN THE BODIES OF SYRIANS KILLED IN THE WAR; AND ALLOW SYRIAN VILLAGERS DISPLACED DURING THE FIGHTING TO RETURN TO THEIR HOMES.

THE INFORMAL UN SECURITY COUNCIL MEETING ON 1 NOVEMBER SERVED ONLY TO SHARPEN THE CONTROVERSY OVER WHICH MEMBERS SHOULD PARTICIPATE IN THE UN EMERGENCY FORCE. THE SOVIET UNION DEMANDED THAT THE DECISION TO PERMIT CANADIAN LOGISTIC UNITS BE REVERSED UNLESS WARSAW

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PACT MEMBERS ALSO ARE INCLUDED. NONALIGNED STATES INSISTED THAT THE COUNCIL DISREGARD THE ISRAELI REQUIREMENT THAT CONTRIBUTORS HAVE DIPLOMATIC RELATIONS WITH ISRAEL. TOGETHER WITH THE ARABS, THE NON-ALIGNED STATES ARE PRESSING THE AFRICAN STATES--WHICH THE SECRETARIAT BELIEVES MUST BE REPRESENTED ON THE FORCE--TO OFFER CONTRIBUTENTS ONLY IF THEY HAVE SEVERED RELATIONS WITH TEL AVIV.

IN ISRAEL, MRS. MEIR'S LABOR ALIGNMENT WAS ABLE TO CARRY THE DAY IN A KNESSET DEBATE EARLIER THIS WEEK OVER THE POW ISSUE, LARGELY BECAUSE OF GENERAL DAYAN'S ANNOUNCEMENT OF EGYPT'S READINESS TO COOPERATE WITH THE INTERNATIONAL RED CROSS. DESPITE THIS SUCCESS, THE LABOR PARTY WILL FACE ROUGH TREATMENT IN THE WEEKS AHEAD AS OPPOSITION LEADERS SHARPEN THEIR ATTACKS ON THE GOVERNMENT'S HANDLING OF PRE-WAR INTELLIGENCE AND MILITARY PREPAREDNESS, THE DECISION TO ALLOW THE EGYPTIAN THIRD ARMY TO BE RESUPPLIED, //AND THE ALLEGED CAPITULATION TO US PRESSURES.//

INFLUENTIAL EGYPTIAN EDITOR HAYKAL COMMENTED IN A COLUMN THIS WEEK THAT ANY NEW OUTBREAK OF HOSTILITIES WOULD PROBABLY BE INITIATED BY ISRAEL, BUT HE IMPLIED THAT EGYPT ITSELF IS ALSO READY. //HE

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